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FISCAL IMPACT REPORT

ORIGINAL DATE 1/28/08

SPONSOR Taylor LAST UPDATED _____ HB 440

SHORT TITLE Expand Arts and Cultural Districts SB _____

ANALYST Earnest

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Non-Rec	Fund Affected
FY08	FY09		
	\$300.0	Recurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

House Bill 440 duplicates Senate Bill 343.

SOURCES OF INFORMATION

LFC Files

Responses Received From

Economic Development Department (EDD)

Department of Cultural Affairs (DCA)

SUMMARY

Synopsis of Bill

House Bill 440 appropriates \$300 thousand from the general fund to Economic Development Department for the MainStreet program to expand the number of arts and cultural districts.

FISCAL IMPLICATIONS

The appropriation of \$300 thousand contained in this bill is a recurring expense to the general fund. Any unexpended or unencumbered balance remaining at the end of fiscal year shall revert to the general fund.

SIGNIFICANT ISSUES

Laws 2007, Chapter 160 (House Bill 606), created Arts and Cultural Districts as an economic stimulus program for local communities. The Arts and Cultural District program is attached to the Economic Development Department, which works in collaboration with Department of Cultural Affairs, and is responsible for designating districts annually in New Mexico. The intent

was to support arts- and culture-based economic development for businesses, individuals, organizations, agencies and institutions to work collaboratively and to formally structure that collaboration creating an economic market niche. The legislation established EDD's MainStreet Program Director as the coordinator of the state's efforts and the New Mexico Arts Commission as the authorizing body for such districts. The legislation did not include funding for the administration and implementation of the initiative.

Without an appropriation in 2007, only two districts were designated to assist the local communities and support technical assistance and resources to the local councils. EDD reports that "there are 11 communities that have requested technical assistance associated with the Arts and Culture Districts program. Without this funding the Economic Development will not have the resources to continue the Arts and Culture Districts Program."

According to EDD:

An Arts and Culture District is a well-recognized, branded, mixed-use, compact area of a town in which a high concentration of arts and cultural facilities serves as the anchor and is not larger than one (1) square mile in area. Arts and Culture Districts can be found in small rural communities or in large urban areas with the potential for more than one arts and culture district.

More than 90 cities in the United States have planned or implemented an Arts and Culture District – positioning the arts and culture as the center of revitalization and community economic development efforts. The impact of Arts and Culture Districts is measurable. The arts and areas with historic structures attract residents and tourists who also support adjacent businesses such as restaurants, lodging, retail and entertainment. The presence of arts and cultural opportunities enhances property values, the profitability of surrounding businesses and the tax base of the region. These districts attract a diverse and well-educated workforce – a key incentive for new and relocating businesses. And these districts contribute to the creativity and innovation of a community.

The NM MainStreet budget for FY08 is about \$1 million. This includes salaries and benefits, travel and other operating expenses for 2 FTE. The bulk of the funding, \$825 thousand, is for contractors who provide the specialized services – e.g., architectural design, marketing, strategic planning, economic analysis, etc – to the communities. The budget has grown significantly since 2003. The largest increase came in 2006 when the Legislature appropriated an additional \$500 thousand specifically for the program.

The Legislature has appropriated another \$4.5 million in capital outlay over the last three years for MainStreet projects statewide.

PERFORMANCE IMPLICATIONS

According to DCA:

Technical advice and outreach are performance measures for DCA. The Cultural Properties Act of 1978 outlined the responsibilities of the Historic Preservation Division, including the preservation of cultural properties which contribute to the economic development, quality of life and rich cultural heritage of the State of New Mexico and its

communities through increased economic activity, community pride, tourism and increase in gross receipts taxes. Projects in newly designated arts and cultural districts that expect to see benefit of the raised historic tax credit cap will still need to comply with existing program requirements for the DCA/Historic Preservation Divisions historic tax credit program.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

House Bill 440 duplicates Senate Bill 343.

OTHER SUBSTANTIVE ISSUES

According to EDD:

The legislation states that any New Mexico MainStreet community, whose MainStreet organization chooses to apply with other partnering Arts and Culture organizations and with their municipality, may apply for authorization of a MainStreet Arts and Culture District.

The benefits offered to state authorized districts may include: enhanced historic tax credits for rehabilitation of historic structures or other incentives which create live/work space for cultural workers, space for cultural and entertainment enterprises and access to financial assistance programs from state agencies and other funding partners such as:

- Specialized technical assistance and support through professionals in the field of planning and development for such districts through the New Mexico MainStreet Program and New Mexico Arts
- Tourism Department support in marketing and promoting the official state authorized District
- Access to the MainStreet Capital Outlay Fund, set aside annually by the State Legislature
- Access to New Mexico Historic *Preservation Division (HPD)* Federal Rehabilitation Investment Tax Credits and New Mexico Historic Property Tax Credit (*doubled within Arts and Culture Districts*)
- Access to New Mexico Historic Preservation Loan Fund and the MainStreet Revolving Loan Fund
- Potential locating of a Museum of New Mexico Foundation *New Mexico Creates* shop
- Potential access by participating artists and craftspeople to sell their creations on the Museum of New Mexico Foundation's e-commerce site www.NewMexicoCreates.org
- NMEDD potential access to Cooperative Advertising funds and Certified Communities Initiative funding with the passage of LEDA for Arts and Culture Districts
- New Mexico Finance Authority planning grants

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

EDD will be limited in the number of arts and cultural districts it can create or will have to pull from existing resources.